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Article

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El impacto de la innovación en marketing digital y la orientación estratégica en el rendimiento de las empresas: Mediación por la capacidad de marketing y moderación por la gestión del riesgo

The Impact of Digital Marketing Innovation and Strategic Orientation on Firm Performance: Mediation by Marketing Capability and Moderation by Risk Management

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RESUMEN

Las MIPYME han contribuido al empleo y al crecimiento económico. En la era de la Revolución Industrial 4.0, las MIPYME se enfrentan a numerosos retos, entre ellos el uso de la innovación en marketing digital y la orientación estratégica para lograr el rendimiento de la empresa. En esta investigación, el objetivo es analizar la influencia de la innovación en marketing digital y la orientación estratégica en el rendimiento de la empresa con la capacidad de marketing como mediación y la influencia de la capacidad de marketing en el rendimiento de la empresa moderada por la gestión de riesgos. Esta investigación es un estudio cuantitativo descriptivo con un enfoque de encuesta a 279 encuestados de MIPYMES del sector de alimentación y bebidas. Los datos recogidos se procesaron mediante SmartPLS y los resultados mostraron que la innovación en marketing digital y la orientación estratégica tienen un efecto significativo en la capacidad de marketing y en el rendimiento de la empresa. La capacidad de marketing no tiene un impacto significativo en el rendimiento de la empresa. La innovación en marketing digital y la orientación estratégica con la

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capacidad de marketing como variable mediadora no tienen un efecto significativo en los resultados de la empresa. La capacidad de marketing y la orientación estratégica con la gestión de riesgos como variable moderadora no tienen un efecto significativo en el rendimiento de la empresa. Los resultados de este estudio son una aportación para que las MIPYME aumenten el papel de la innovación en marketing digital, la estrategia de orientación y la capacidad de marketing en el rendimiento de la empresa. La gestión del riesgo debe construirse aplicando el tratamiento del riesgo adecuado para poder impulsar el rendimiento de la empresa.

PALABRAS CLAVE

Innovación en Marketing Digital; Orientación Estratégica; Rendimiento de la Empresa; Capacidad de Marketing; Gestión del Riesgo.

ABSTRACT

MSMEs have contributed to employment and economic growth. There are many challenges faced by MSMEs in the era of Industrial Revolution 4.0, including the use of digital marketing innovation and strategic orientation to achieve firm performance. In this research, the aim is to analyze the influence of digital marketing innovation and strategic orientation on firm performance with marketing capability as mediation and the influence of marketing capability on firm performance moderated by risk management. This research is a descriptive quantitative study with a survey approach of 279 respondents from MSMEs in the food and beverage sector. The collected data was processed using SmartPLS, the results showed that digital marketing innovation and strategic orientation have a significant effect on marketing capability, and on firm performance. Marketing capability is having no significant impact on firm performance. Digital marketing innovation and strategic orientation with marketing capability as mediating variable has no significant effect on firm performance. Marketing capability and strategic orientation with risk management as a moderating variable have no significant effect on firm performance. The results of this study are input for MSMEs in increasing the role of digital marketing innovation, orientation strategy and marketing capability towards company performance. Risk management needs to be built by implementing the right risk treatment in order to be able to drive firm performance.

KEYWORDS

Digital Marketing Innovation; Strategic Orientation; Firm Performance; Marketing Capability; Risk Management.

Clasificación JEL: Q55, M31, G32, L23.

MSC2010: 90B60, 91G45.

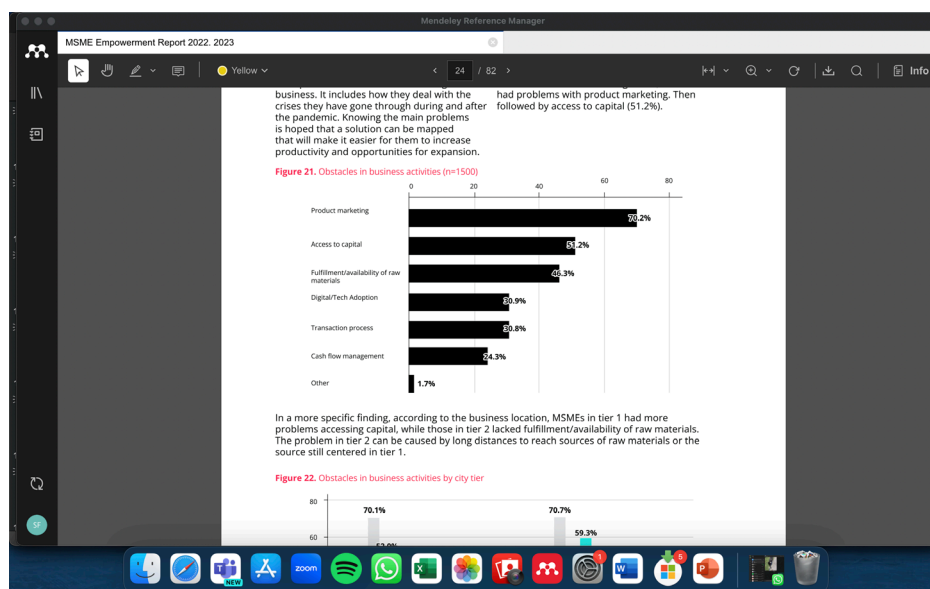
1. INTRODUCTION

Businesses of varying sizes, including Micro, Small, and Medium-sized Enterprises (MSMEs), significantly play an important role to a country's economic development and growth (Farida & Setiawan, 2022) just as they are essential for initiating employment in other developing countries (Afriyie et al., 2019). At the same time, digitalization era as a result of the effects of globalization, is altering economies and transforming the way businesses develop across the world (Gaglio et al., 2022). Businesses must adapt their models in order to be innovative and creative to gain growth (Rekarti et al., 2018) and the level of technological innovation will determine competitiveness (Benites Gutierrez et al., 2020) or to compete in competitive business world (Rafid et al., 2023). Since the start of the globalization era, most businesses are struggling to be more inno-

vative and creative (Valdez-Juárez & Castillo-Vergara, 2021). Innovation is crucial since it drives businesses to create new capability to compete (Jung & Shegai, 2023). Competitiveness is also required so that the business can survive and develop (Hatammimi & Thahara, 2022).

MSMEs will face several challenges while transforming to digitalization. Research related to this has mostly been conducted in European countries and several Asian countries, and research in developing countries still needs to be published to fill the gap and provide practical recommendations for implementation for MSMEs whose areas have not been previously researched (Sagala & Öri, 2024). Generally, in this transformation, 70,2% of MSMEs have problems in marketing their products. The fact that the digital transformation of Indonesian MSMEs only reached 13 percent in 2020 and is expected to reach 47 percent in 2024, the country is still trailing behind other Asian nations in this regard (MSME Empowerment Report 2022). In addition, 50 percent of the products sold in e-commerce are still imported products (Masduki, 2022).

Pic 1. Obstacles in Business Activities (n=1500)



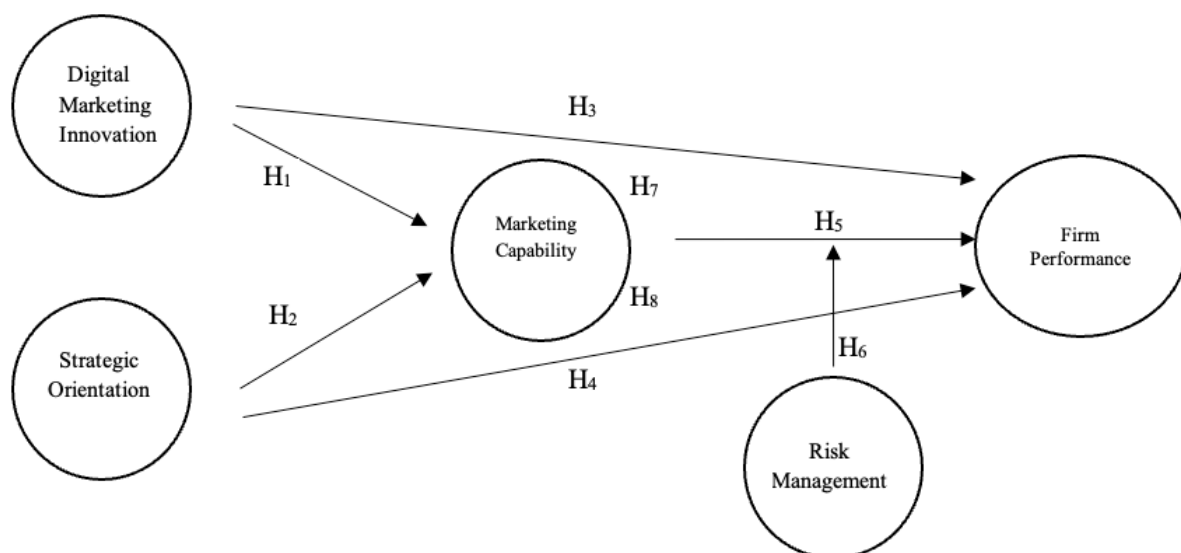
Source: (MSME Empowerment Report 2022, 2023)
Link: <https://dailysocial.id/research/msme-report-2022>

Despite having a population of over 273.8 million and a sizable, diverse economy, Indonesia has long lagged behind other nations in terms of the adoption of digital technology, especially among MSMEs. Digitalization creates opportunity to access new markets and gain value with customers and other partnerships (Joensuu-Salo et al., 2018). MSMEs can market their goods or services to customers by having an online presence and reaching a larger audience and may be able to compete better with larger businesses (Burhanudin et al., 2022). Finally, digitalization can assist MSMEs in strengthening their sustainability and financial stability (Supari & Anton, 2022).

This study uses endogenous growth theory (Sagala & Öri, 2024). In endogenous growth theory, the context of digital marketing innovation and strategic orientation of MSMEs is unique research. The object of research is carried out in an area in a developing country, which has never been revealed, and is experiencing growth because technological changes and the abundance of knowledge produce economic growth. For a firm to succeed, marketing is crucial, but for MSMEs, it can be difficult (Sharma et al., 2017). To compete with larger, more established businesses, additional resources and assistance are required. For the survival and sustainability, strategic orientations are required (Ejovwokeoghene Isiafwe-Ogbari et al., 2018) because in crowded markets when customers have a lot of options, it can be very challenging. Smaller businesses may only have a limited

number of resources, whereas larger businesses may have more resources but may find it difficult to adopt new technologies (Akpan et al., 2021). A company's capacity to successfully integrate digital marketing innovations and boost performance can be impacted by marketing capability, which includes human and financial resources, technology, and strategy (Tariq et al., 2022). MSME's sustainability and resilience are vulnerable to risk, in this addition to compete in markets and to attain a stable position, companies can formulate risk management to encourage their success (Pulka et al., 2018). Based on general survey in CRMS 2023 (Siregar et.al, 2023), it shows that in general, most companies are quite concerned with the risk management function. However, company management is expected to continue to implement risk management functions in their company or organization. This research analysing the impact of digital marketing innovation and strategic orientation towards firm performance with marketing capability as mediation and its effect on firm performance with risk management as moderation variable.

Pic 2. Research Model



2. LITERATURE REVIEW

2.1. The Relationship between Digital Marketing Innovation and Marketing Capability

Digital marketing is an activity using technology in marketing products or services (Andhyka et al., 2023) and currently considered as critical aspect of business (Afriyie et al., 2019). The creation of market products, business processes, or business models as a result of the application of digital technology is digital innovation (Nambisan et al., 2017). It is becoming effective when it involves innovation for businesses to reveal their improved products before the competitors to the market (Muis et al., 2022) so they can attract new customers to nurture its competencies (Hanaysha et al., 2022). This is positively impact firm performance since it is allowing companies to reach more audiences, strengthen customer engagement, and collect data for targeted advertising (Jung & Shegai, 2023).

H1: Digital marketing innovation has significant effect on marketing capability.

2.2. The Relationship between Strategic Orientation and Marketing Capability

Strategic orientation is widely used on the management strategy, entrepreneurship, and marketing (Darmanto et al., 2014). The activities of the way that businesses engage in intelligence gathering activities to gather data that may be used to enhance internal decision-making and gain competitive advantage (Adams et al., 2019). As it indicates the ability to achieve their goals (Samad, 2022). As a guiding principle, business' marketing and strategy is influenced by strategic orientation (Theodosiou et al., 2012). This can lead to competitive advantage through marketing orientation (Gotteland et al., 2020).

H2: Strategic orientation has significant effect on marketing capability.

2.3. The Relationship between Digital Marketing Innovation and Firm Performance

With innovation, businesses may create items that meet the needs of customers which can boost the quantity of sales (Alim Musonnaifa & Djazuli, 2022). Its impact on product quality and operational effectiveness can affect competitiveness and performance improvement, particularly for MSMEs (Farida & Setiawan, 2022). Digital marketing innovation will have a significant impact on firm performance (Reyes-Gómez et al., 2024) innovation and firm performance and to examine the role of innovation in the relationship while avoiding circular arguments. The universalistic approach suggests that strategic orientations have independent and parallel effects on firms' performance, and that innovation does not influence this relationship. The holistic approach proposes that strategic orientations in a complementary and interrelated view have both direct and indirect effects on firms' performance through innovation. Design/methodology/approach: A meta-analytic path analysis applying two-stage structural equation modeling (TSSEM. In this era of digital, innovation in the form of digital marketing will be extremely beneficial to MSMEs. With low-cost promotion, this will increase brand recognition, brand image, sales growth (Muis et al., 2022), gain more business contacts, ability to exhibit firm expertise, better customer feedback and satisfaction, explore market research, and improve the products and services (Qalati et al., 2022).

H3: Digital marketing innovation has significant effect on firm performance.

2.4. The Relationship between Strategic Orientation and Firm Performance

In order to support a company's viability and performance, strategic orientation is seen as guiding principle that influences the way businesses operate through a deeply ingrained set of values and beliefs (Didonet et al., 2020). Strategic orientation has a significant impact on performance because it increases competitive advantage and creates value for consumers (Reyes-Gómez et al., 2024) innovation and firm performance and to examine the role of innovation in the relationship while avoiding circular arguments. The universalistic approach suggests that strategic orientations have independent and parallel effects on firms' performance, and that innovation does not influence this relationship. The holistic approach proposes that strategic orientations in a complementary and interrelated view have both direct and indirect effects on firms' performance through innovation. Design/methodology/approach: A meta-analytic path analysis applying two-stage structural equation modeling (TSSEM. It is used by a company to instill the right behaviours for the continuing, superior operation of the enterprise. In these conditions, strategic orientations can be characterized as the values that guide and affect the company's operations and produce the behaviours that are crucial to the success of the company (Acar & Ozs, 2018), and it is an important capability that can improve firm performance (Adefulu et al., 2022).

H4. Strategic orientation has significant effect on firm performance.

2.5. The Relationship between Marketing Capability and Firm Performance

Marketing capability is crucial for business survival (Davicik et al., 2020) as it is a driver of firm performance (Jeong et al., 2019) with the ability to design and implement effective marketing strategies and techniques to promote its products or services which can lead to build brand awareness and increase profitability. To ensure the survival and growth of businesses, marketing is a critical component (Rekarti et al., 2018) to achieve competitive advantage (Homburg & Wielgos, 2022) and noticeably affects on performance in SMEs (Ejrami et al., 2016) as firms with superior marketing capabilities expand faster which is an important factor of profit growth rates (Joensuu-Salo et al., 2023).

H5: Marketing capability has significant effect on firm performance.

2.6. The Relationship between Marketing Capability and Firm Performance with Risk Management as Moderating Variable.

Marketing competence is crucial for organizations of all sizes and industries because it allows them to reach and engage with their target customers, differentiate themselves from competitors, and drive sales and revenue growth. A strong marketing competence can also assist a business in adapting to changing market and customer needs, staying ahead of trends, and innovating new products or services (Jung & Shegai, 2023). Risk is seen as an essential component of a company's operations. Financial risk is one of the most serious problem to SMEs. The most typical signs of SME financial risk are difficulties in business financing because the majority of the company's operation is supported by the owners or managers themselves. This could lead to an increase in operational costs and debt as well as debt repayment issues (Dvorsky et al., 2021). Risk management improves firm performance (Candy, 2021), and the company has policies for good financial management and shareholder confidence (Karina et al., 2023). In order to minimize risks to improve the firm's performance, manager can formulate different strategies. This process to cope with risks is defined as risk management (Rehman & Anwar, 2019).

H6: Marketing capability with risk management as moderating variable has significant effect on firm performance.

2.7. The Relationship between Digital Marketing Innovation and Strategic Orientation on Firm Performance with Marketing Capability as Mediating Variable

As a conduit for distributing electronic word-of-mouth about a product, brand, or company, social media marketing is used. the use of social media platforms to spark dialogue and favourably affect customer behaviour, such as product purchases, newsletter subscriptions, online community registration, and other consumer behaviours (Tarsakoo & Charoensukmongkol, 2020) in specific social media platforms by age, sex, region, preferences, etc (Basri, 2016). Such innovation is regarded as a vital component by organizations seeking to give superior value propositions to markets; as a result, these firms endeavour to understand customers through obtaining market intelligence in order to anticipate changes in customers' wants and behaviours (Thoumrungroje & Racela, 2022). However, the usage of online social media has a greater impact on firm performance (Tajvidi & Karami, 2021).

Most businesses strive for long-term competitive advantage and good performance. Firm performance is exhibited based on the firm's business objective, goal, and strategy. The word firm performance refers to the level of achievement that a company typically achieves. The word firm performance refers to the achievement of market and financial objectives (Samad, 2022). Although performance is the core of all organizational processes and activities and is what defines an organization's survival, it is a relative concept or phrase that is used in different contexts to explain how actions achieve their goals (Sawaeen & Ali, 2020).

H7: Digital marketing innovation with marketing capability as mediating variable has significant effect on firm performance.

H8: Strategic orientation with marketing capability as mediating variable has significant effect on firm performance.

3. METHODOLOGY

The focus of this study is to explain the cause-and-effect relationship of independent variables, including digital marketing innovation and strategic orientation, on the dependent variable, namely firm performance, conveyed through the mediation of marketing capability and moderation of risk management. The population in this study is food and beverage MSMEs in Tanjung Pinang City, the capital city of the Riau Islands Province of Indonesia country. The number of these businesses is estimated to be more than 5,000 units, because the data on the number of small businesses alone for food and non-food based on Indonesia Statistics 2020 data is 4,080 business units, not including micro and medium businesses. Sampling technique is used to collect data and it does not randomly select samples but intentionally chooses them based on specified criteria/purposive sampling (Buelens et al., 2018) which were: 1) MSMEs operated in food and beverage, 2) been operating in minimum 1 year, and 3) located in Tanjungpinang area. With total of 20 questions, this research is using (Hair Jr et al., 2021) theory of 1:10 where each indicator will be represented by 10 respondents.

A total of 20 questions covering aspects of Digital Marketing Innovation consisting of 3 questions (Sudjatmoko et al., 2023), Strategic Orientation with 4 questions (Tseng et al., 2019), Marketing Capability consisting of 3 questions (Jeong et al., 2019), Firm Performance with 4 questions (Didonet et al., 2020), and Risk Management consisting of 6 questions (Rehman & Anwar, 2019), are distributed through Google Form to individuals owning the business of food and beverage in Tanjungpinang. Participants's responses are measured using a Likert scale of 1-5, where 1 indicates "strongly disagree" and 5 indicates "strongly agree" (Farida & Setiawan, 2022). Data testing is conducted using the Smart-PLS version 3. In this study, the researchers examine the relationships among digital marketing innovation, strategic orientation, and firm performance with marketing capability as mediating variable and risk management as moderating variable through descriptive statistical analysis, validity test, reliability test, hypothesis test, model fit evaluation, and R Square test.

4. RESULT AND DISCUSSION

4.1. Demographic of Respondents

There are 279 samples of the owners of food and beverage business in Tanjungpinang. The majority are female, 56 % of the 279 respondents. The age distribution of the survey participants is 35 % between 17-27 years (97 participants), 29 % between 28-38 years (82 participants), 22 % between 39-50 years (61 participants), and 14 % more than 50 years (39 participants). In terms of business period, 48 % have been operating for 3 – 4.9 years, 34 % have been operating for 5 – 9.9 years, and 18 % have been operating for more than 10 years. The majority of businesses have less than 3 employees with percentage of 48 %, 3 – 5 employees with percentage of 28 %, and more than 5 employees with percentage of 13 %. And lastly, 69 % have income less than Rp. 25.000.000, 24 % have income between Rp. 25.000.000 – Rp. 50.000.000, and 18 % have income more than Rp. 50.000.000.

Table 1. Demographic Respondents

Variable	Category	Frequency	Percentage
Gender	Male	124	44 %
	Female	155	56 %
Age	17 – 27 years	97	35 %
	28 – 38 years	82	29 %
	39 – 50 years	61	22 %
	More than 50 years	39	14 %
Business Period	3 – 4.9 years	134	48 %
	5 – 9.9 years	96	34 %
	More than 10 years	49	18 %
Total of Employees	< 3 persons	164	59 %
	3 – 5 persons	78	28 %
	More than 5 persons	37	13 %
Total Income	< Rp. 25.000.000	192	69 %
	Rp. 25.000.000 – Rp. 50.000.000	67	24 %
	More than Rp. 50.000.000	20	7 %

Source: Research Finding

4.2. Validity Test Result

4.2.1 Outer Loading

This test is conducted to assess whether the research model is suitable for the given questions or statements. A question/statement is considered valid if it has an outer loading value greater than 0.7 but Ghazali stated in (Arifianti et al., 2023) that it still can be tolerated for 0.5. Based on Table 2, it can be seen that all questions have outer loading values > 0.6 and one with > 0.5, so all questions/statements below are declared valid.

Table 2. Outer Loading Test Results

Variable			Outer Loading
DM11	<–	Digital Marketing Innovation	0.850
DM12	<–	Digital Marketing Innovation	0.860
DM13	<–	Digital Marketing Innovation	0.847
SO1	<–	Strategic Orientation	0.799

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Variable			Outer Loading
SO2	<–	Strategic Orientation	0.829
SO3	<–	Strategic Orientation	0.900
SO4	<–	Strategic Orientation	0.826
MC1	<–	Marketing Capability	0.872
MC2	<–	Marketing Capability	0.840
MC3	<–	Marketing Capability	0.837
MC*RM	<–	Marketing Capability*Risk Management	1.180
RM1	<–	Risk Management	0.799
RM2	<–	Risk Management	0.809
RM3	<–	Risk Management	0.794
RM4	<–	Risk Management	0.791
RM5	<–	Risk Management	0.658
RM6	<–	Risk Management	0.806
FP1	<–	Firm Performance	0.511
FP2	<–	Firm Performance	0.843
FP3	<–	Firm Performance	0.846
FP4	<–	Firm Performance	0.850

Source: Research Finding

4.2.2 Average Variance Extracted (AVE)

This test is conducted to assess the validity of each construct. Each construct with good validity will have a value higher than 0.5. In Table 3, it can be seen that overall, each statement has an AVE value above 0.5, thus declared valid.

Table 3. AVE Test Results

Variable	AVE
Digital Marketing Innovation (DMI)	0.726
Strategic Orientation (SO)	0.705
Marketing Capability (MC)	0.723
Risk Management (RM)	0.605
Firm Performance (FP)	0.602

Source: Research Finding

4.2.3 Discriminant Validity

In order to pass the discriminant validity test, the test results are required to be above the value of 0.7. Based on the testing, it can be concluded that all variables in the test results can be considered valid because all variables are above the value of 0.7.

Table 4. Discriminant Validity Test Results

Variable	DMI	FP	MC	RM	SO
DMI	0.833				
FP	0.402	0.776			
MC	0.621	0.467	0.850		
RM	0.495	0.466	0.740	0.778	
SO	0.565	0.494	0.661	0.635	0.840

Source: Research Finding

4.3. Reliability Test

4.3.1 Cronbach's Alpha and Composite Reliability

Cronbach's Alpha test is one type of indicator used to demonstrate the reliability of data used in research, indicating whether the variables used can be deemed reliable or not. If the test results indicate that the data is reliable, it means that the data or responses from respondents will always be consistent or the same. The requirement for data to be considered reliable is if it has a value greater than 0.7.

Table 5. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Digital Marketing Innovation (DMI)	0.812	0.888
Strategic Orientation (SO)	0.860	0.905
Marketing Capability (MC)	0.808	0.887
Risk Management (RM)	0.870	0.902
Firm Performance (FP)	0.763	0.854

Source: Research Finding

4.3.2 Model fit criteria

The SRMR or Standardized Root Mean Square value is $0.092 < 0.10$, so the model fits. So, it can be concluded that the model fits the data

4.3.3 Hypothesis Test

The inner model indicator aims to depict the strength of relationships between constructs. This indicator can assess the influence of variables, the direction of relationships between variables, and also has coefficient T values calculated not to be greater than 1.96 (at a confidence level of 0.05) (Nurshabrina & Adrianti, 2020).

Table 6. Direct Effect Test Results

Variable (X → Y)	Sample Mean	P Value	Result	Hypothesis
DMI → MC	0.362	0.000	Significant Positive	Accepted
SO → MC	0.460	0.000	Significant Positive	Accepted
DMI → FP	0.154	0.033	Significant Positive	Accepted
SO → FP	0.301	0.000	Significant Positive	Accepted
MC → FP	0.108	0.234	No Significant	Rejected
Moderating Effect I → FP	0.013	0.798	No Significant	Rejected

Source: Research Finding

4.3.4 Correlation Matrix

Attached is the correlation matrix data as one of the business decision supporters in viewing the correlation of various variables in this study.

Table 7. Correlation Matrix

Empirical Correlation Matrix

	DMI1	DMI2	DMI3	FP2	FP3	FP4	MC1	MC2	MC3	RM1	RM2	RM3	RM4	RM5	RM6	SO1	SO2	SO3	SO4	FP1
DMI1	1.000	0.595	0.583	0.198	0.310	0.349	0.522	0.467	0.294	0.225	0.244	0.252	0.289	0.307	0.363	0.346	0.456	0.338	0.323	0.255
DMI2	0.595	1.000	0.590	0.214	0.273	0.306	0.564	0.548	0.332	0.318	0.310	0.250	0.275	0.421	0.403	0.341	0.357	0.324	0.321	0.200
DMI3	0.583	0.590	1.000	0.205	0.255	0.310	0.474	0.447	0.405	0.406	0.382	0.315	0.315	0.364	0.532	0.551	0.506	0.509	0.508	0.240
FP2	0.198	0.214	0.205	1.000	0.746	0.607	0.299	0.228	0.376	0.262	0.244	0.285	0.230	0.120	0.262	0.247	0.280	0.358	0.294	0.248
FP3	0.310	0.273	0.255	0.746	1.000	0.646	0.314	0.261	0.318	0.300	0.249	0.278	0.258	0.181	0.363	0.278	0.277	0.327	0.223	0.188
FP4	0.349	0.306	0.310	0.607	0.646	1.000	0.350	0.281	0.463	0.333	0.366	0.349	0.401	0.230	0.401	0.349	0.371	0.460	0.343	0.236
MC1	0.522	0.564	0.474	0.299	0.314	0.350	1.000	0.627	0.572	0.501	0.466	0.446	0.473	0.412	0.563	0.418	0.541	0.527	0.488	0.246
MC2	0.467	0.548	0.447	0.228	0.261	0.281	0.627	1.000	0.554	0.559	0.447	0.398	0.400	0.557	0.460	0.293	0.428	0.430	0.396	0.223
MC3	0.294	0.332	0.405	0.376	0.318	0.463	0.572	0.554	1.000	0.578	0.559	0.509	0.540	0.347	0.584	0.469	0.544	0.574	0.485	0.228
RM1	0.225	0.318	0.406	0.262	0.300	0.333	0.501	0.559	0.578	1.000	0.655	0.514	0.518	0.511	0.539	0.334	0.418	0.483	0.486	0.222
RM2	0.244	0.310	0.382	0.244	0.249	0.366	0.466	0.447	0.559	0.655	1.000	0.528	0.551	0.500	0.554	0.332	0.401	0.542	0.458	0.204
RM3	0.252	0.250	0.315	0.285	0.278	0.349	0.446	0.398	0.509	0.514	0.528	1.000	0.635	0.408	0.565	0.362	0.455	0.456	0.474	0.221
RM4	0.289	0.275	0.315	0.230	0.258	0.401	0.473	0.400	0.540	0.518	0.551	0.635	1.000	0.409	0.527	0.415	0.411	0.468	0.420	0.243
RM5	0.307	0.421	0.364	0.120	0.181	0.230	0.412	0.557	0.347	0.511	0.500	0.408	0.409	1.000	0.493	0.171	0.355	0.323	0.249	0.084
RM6	0.363	0.403	0.532	0.262	0.363	0.401	0.563	0.460	0.584	0.539	0.554	0.565	0.527	0.493	1.000	0.438	0.467	0.439	0.394	0.279
SO1	0.346	0.341	0.551	0.247	0.278	0.349	0.418	0.293	0.469	0.334	0.332	0.362	0.415	0.171	0.438	1.000	0.540	0.645	0.549	0.309
SO2	0.456	0.357	0.506	0.280	0.277	0.371	0.541	0.428	0.544	0.418	0.401	0.455	0.411	0.355	0.467	0.540	1.000	0.665	0.552	0.302
SO3	0.338	0.324	0.509	0.358	0.327	0.460	0.527	0.430	0.574	0.483	0.542	0.456	0.468	0.323	0.439	0.645	0.665	1.000	0.681	0.285
SO4	0.323	0.321	0.508	0.294	0.223	0.343	0.488	0.396	0.485	0.486	0.458	0.474	0.420	0.249	0.394	0.549	0.552	0.681	1.000	0.328
FP1	0.255	0.200	0.240	0.248	0.188	0.236	0.246	0.223	0.228	0.222	0.204	0.221	0.243	0.084	0.279	0.309	0.302	0.285	0.328	1.000

Source: Research Finding

5. ANALYSIS

1. The Relationship between Digital Marketing Innovation and Marketing Capability

The result of the test in the table above indicates that the relationship between digital marketing innovation and marketing capability has a p-value of 0.000. Digital marketing innovation has a significant effect on marketing capability which shows that in general, MSMEs have developed innovations for their digital marketing activities. The survey results showed that 55.91% of respondents strongly agreed to use social media, 55.91% of respondents strongly agreed to use marketplace platform, and 55.99% of respondents strongly agreed to use delivery services to facilitate their marketing activities. Digital marketing capability has made MSME activities easier, its implementation is more efficient in reaching customer, has significant impact in increasing marketing capability (Muis et al., 2022; Hanaysha et al., 2022), and to remain relevant and competitive in its business (Jung & Shegai, 2023).

2. The Relationship between Strategic Orientation and Marketing Capability

Next variable, strategic orientation, was also found to have positive effect toward marketing capability impact due to has p-value of 0.000. Based on the survey results, 65.23% of respondents stated that they strongly agreed to carry out digital marketing activities because they were motivated to increase customer satisfaction, 59.14% of respondents strongly agreed that understanding customer needs is part of the strategy to achieve competitive advantage, 56.99% of respondents strongly agree to increase customer value, and 61.29% of respondents strongly agree to monitor the level of commitment and orientation toward customers. The reflection of strategic direction is reflected by its strategic orientation that influence the activities in it (Acar & Ozs, 2018; Darmanto et al., 2014).

3. The Relationship between Digital Marketing Innovation and Firm Performance

Digital marketing innovation has a significant positive influence on firm performance which can be seen from the p-value of 0.033. Digital marketing activities carried out through social media, marketplace platforms and delivery have apparently been implemented by the majority of MSMEs that are the objects of this research. MSMEs are more likely to maintain customer satisfaction, because the geographic reach of respondents is wider and more efficient, they gain financial benefits, and MSME businesses can develop more quickly. This is in accordance with the results of research from (Alim Musonnafa & Djazuli, 2022), This activity is enabling MSMEs to create much more efficient and better performance (Kuntonbutr et al., 2019).

4. The Relationship between Strategic Orientation and Firm Performance

The variable strategic orientation significantly and positively influences firm performance because of p-value of 0.000 which meeting the significance criteria below 0.05. In reality, it is really important to have strategic orientation to compete in market and achieve superior performance (Adams et al., 2019). MSMEs have implemented activities to boost customer satisfaction and value, and to understand their needs. It is a part of a strategy to achieve competitive advantage (Theodosiou et al., 2012) and to improve firm performance (Adefulu et al., 2022).

5. The Relationship between Marketing Capability and Firm Performance

The research findings indicate that marketing capability does not significantly affect firm performance because the p-value is 0.234. It shows that 52.33% of respondents strongly agree that they have carried out effective advertising, 52.69% of respondents strongly agree that they are able to use marketing tools such as product design and pricing, and 48.03% strongly agree that they have knowledge about customers and competitors. However, these things apparently have not been able to

have a significant positive effect on firm performance. From the results of the firm performance survey, it turns out that the survey scores were not optimal, especially regarding profits and business development compared to competitors which were still low, where only 32.97% said they strongly agreed. Apart from that, if you look at the income of business actors, the majority, 69%, is below Rp. 25,000,000 or the equivalent of approximately USD 1,550 per month. This condition certainly needs serious attention because superior marketing is needed to increase company revenue (Joensuu-Salo et al., 2023). This might be happening because of the uncertainty in long term by the environmental changes (Andrade et al., 2021), and the majority of businesses are 3–5 years (48%).

6. The Relationship between Marketing Capability and Firm Performance with Risk Management as Moderating Variable

Based on the results of statistical calculations, a p-value of 0.798 was obtained, it shows that there is no relationship between marketing capability and firm performance with risk management as moderating variable. In fact, from the results of the MSME survey, they have implemented risk management principles well, where 54.12% of respondents stated that they strongly agreed in analyzing risks and opportunities, 52.23% of respondents stated that they strongly agreed to have standard procedures in reducing risks, 45.88% of respondents strongly agreed to prepare risk reports for company leaders, and 52.33% of respondents strongly agreed to monitor the development of major risks and steps to reduce risks. However, this is apparently not enough to strengthen the relationship between marketing capability and firm performance. This is possible due to the costs of advertising and marketing tolls in product development and very competitive prices which have relatively large costs, where the impact is not significant on the final profits received. The impact of marketing capability actually results in high costs even though risk management principles are applied. This is a financial risk in MSMEs which increases operational costs and debt (Dvorsky et al., 2021), even with the aim of innovation in marketing capability (Jung & Shegai, 2023). Based on the national risk management survey in Indonesia 2023, it turns out that the majority of companies surveyed and 51% are still very deficient and lacking in implementing risk management policies and procedures (Siregar et.al, 2023).

7. The Relationship between Digital Marketing Innovation and Strategic Orientation on Firm Performance with Marketing Capability as Mediating Variable

Based on the results of data processing and analysis, it was concluded that marketing capability does not mediate the relationship between digital marketing innovation and firm performance, nor the relationship between strategic orientation and firm performance, as can be seen on the table, with a p-value of 0.258 and 0.247 digital marketing innovation and strategic orientation, are not mediated by marketing capability to firm performance.

Table 7. Indirect Effect Test Result

Variable	Sample Means	P Values	Result	Hypothesis
DMI → MC → FP	0.040	0.258	Not Mediated	Rejected
SO → MC → FP	0.050	0.247	Not Mediated	Rejected

Source: Research Finding

5.1. Model Fit Evaluation

Table 8. R Square Adjusted Result

Variable	R Square	Percentage	Model Evaluation
Marketing Capability	0.286	28.60 %	Moderate
Firm Performance	0.524	52.40 %	Strong

Source: Research Finding

A model is considered weak if it has an R-Square value of less than 0.25, moderate if it is greater than 0.25 but less than 0.50, and strong if it is greater than 0.50 (Akossou & Palm, 2013). Table 8 shows that the independent variables are able to explain Marketing Capability with an Adjusted R-Square value of 0.286 or 28.60%, categorized as moderate. Meanwhile, the Firm Performance variable with an Adjusted R-Square value of 0.524 or 52.40% is categorized as strong.

6. DISCUSSION

Since MSMEs play an important role in economic growth, it is necessary to formulate goals to enhance performance in the competitive business world. Digital marketing innovation is one of the most important things in this digitalization era for a business to reach a larger audience in order to gain more profit (Jung & Shegai, 2023; Nambisan et al., 2017). Based on MSMEs Empowerment Report 2022, the majority of MSMEs in Indonesia face challenges in product marketing which with digital marketing innovation and precise strategic orientation, MSMEs can improve their marketing capability and gain competitiveness. Based on the results of the analysis and discussion, the results can be obtained that in general the majority of MSMEs have used digital marketing innovation and strategic orientation. Digital marketing innovation allows businesses to increase market access through social media, market place platforms and delivery services (Jung & Shegai, 2023), and with a strategic orientation for MSMEs to increase satisfaction and understand customer needs (Darmanto et al., 2014). MSMEs must understand customer needs to enrich their innovative idea continuously in order to create more products and services, evaluating strategies and improving communication between owner and employees can strengthen this capability. Employee training is an important thing to do to improve their skills and productivities, not only to handle present difficulties but to solve the problems that might happen. Once these are successfully developed, it will become essential to introduce them to the market

These two variables have a significant positive impact in increasing marketing capability and firm performance. However, marketing capability which consists of advertising and marketing tools (Jeong et al., 2019) apparently does not have a significant positive impact on firm performance when the company does not consider the costs for the advertising and marketing process, such as determining product design and prices. It could be possible this high competition causes MSMEs to spend money intensively on advertising and setting low prices so that they can still compete even though they don't actually produce optimal profits for the company, or what is important is that the company can still run. On the other hand, risk management also does not have an optimal impact in strengthening the relationship between marketing capability and firm performance, even though the MSMEs studied have applied risk management, including analyzing risks, having standard operation procedures to reduce risks, and risk reports. However, they have not been able to encourage better firm performance, which is possible because the company has not specifically implemented its financial risk, so there is a possibility of an increase in operational costs (Dvorsky et al., 2021). In addition, macro data from Statistics Indonesia also shows an increase in the highest expenditure index for the food and beverage group, which increased by 6.49%

(y-on-y) from June 2023–June 2024, above inflation of 2.97%. This certainly puts heavy pressure on MSMEs in increasing company profits. On this occasion, the researcher tries to offer a risk management framework that is considered effective and structured regarding the right risk treatment. This risk treatment contains actions after a risk response in aligning the extent to which this risk can be accepted by the company, so that financial performance remains the main goal. The last recommendation is to improve the administration of financial reports according to standards, this aims to evaluate its financial performance better so that it can avoid losses.

7. CONCLUSION

Based on the results of the analysis and discussion, it was concluded that: 1) digital marketing innovation has a significant effect on marketing capability, 2) digital marketing innovation has a significant effect on firm performance, 3) digital marketing innovation has a significant effect on firm performance, 4) strategic orientation has significant effect on firm performance., 5) marketing capability has no significant effect on firm performance., 6) marketing capability with risk management as moderating variable has no significant effect on firm performance., 7) digital marketing innovation with marketing capability as mediating variable has no significant effect on firm performance., 8) strategic orientation with marketing capability as mediating variable has no significant effect on firm performance.

This research is practically useful in providing recommendations, especially in managing strategies for MSME activities related to current developments which cannot be separated from internet. Digital marketing innovation and strategic orientation are mandatory for MSME players to expand their market share and obtain appropriate profits. However, MSMEs must also be careful in using their funds to increase marketing capacity because excessive use of funds and without in-depth analysis will result in decreasing of firm performance. In this research, it is also recommended that MSMEs might start to implement risk management principles and policies, because not all MSMEs have implemented it, even though at a basic level, the existence of this risk policy could be one solution in controlling finances to achieve better firm performance and sustainable.

This research has limitations because what is being observed is still within the scope of MSMEs in the food and beverage sector, in the future research, it is possible to carry out on other MSME businesses beyond food and beverage, such as manufacturing, and with a qualitative approach to obtain a more in-depth analysis. Currently, in the era of big data technology and AI, skill and knowledge, IT-alignment, and this related topic could be interesting research in the future.

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